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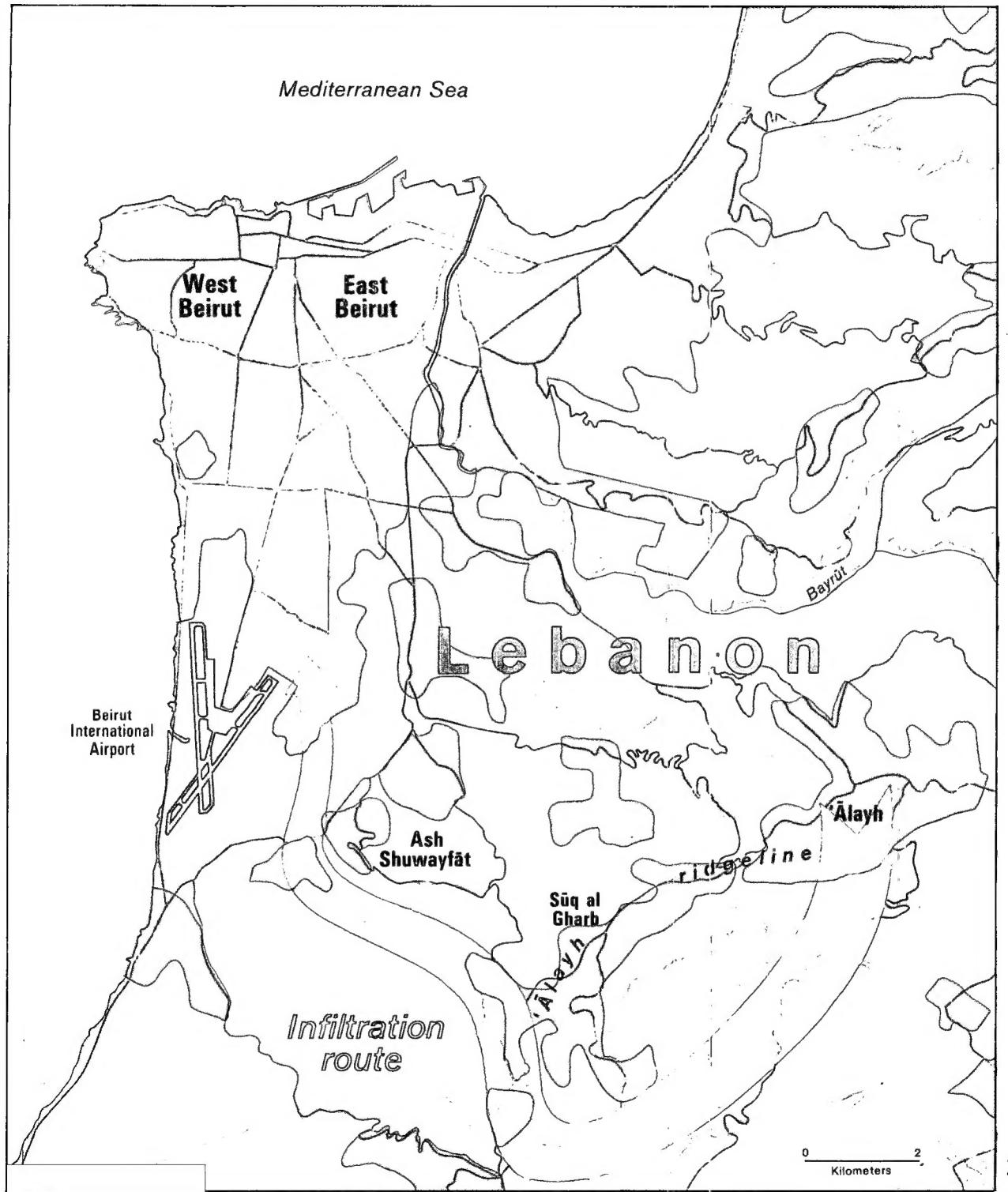
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LEBANON: Reservations About Security Plan

Army commander Tannous has expressed his concern about the plan from a military standpoint, and President Gemayel may share his views for political reasons. [redacted]

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The growing reservations have focused new attention on an Army offensive designed to secure the Alayh ridgeline and the infiltration route leading to southern Beirut. The US defense attache in Beirut reports that General Tannous objects to the plan because it would spread the Army too thin. [redacted]

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Tannous also is reluctant to leave the infiltration route under the control of the predominantly Muslim Internal Security Forces, which he considers inept. He reportedly stated that, by 20 January, he will have four tank battalions ready to cut the infiltration route and close the gap in the Alayh ridgeline. [redacted]

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Comment: Both Gemayel and Tannous probably fear that successful implementation of the security plan would lead to the premature withdrawal of the Multinational Force contingents. Consolidation of government control over southern Beirut and the area west of the Alayh ridge would enable Gemayel to bargain with the Druze and Muslim opposition from a position of strength. Government leaders also may believe that an offensive would encourage Western support. [redacted]

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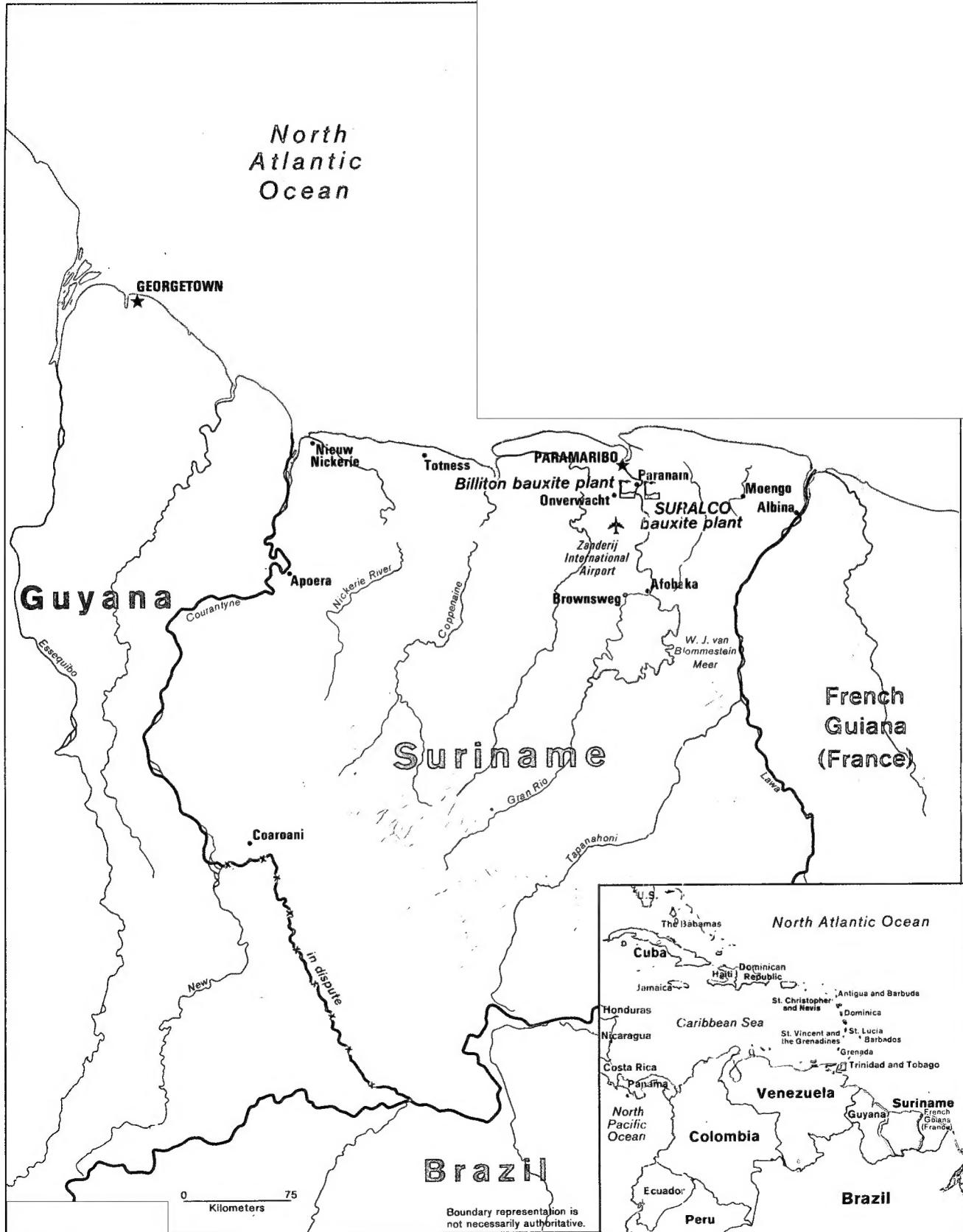
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SURINAME: Appeal by Bouterse

Army Commander Bouterse, in an appeal to workers on Tuesday, claimed that the strikes were over and guaranteed military protection for those wanting to return to their jobs. [redacted]

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Bouterse warned the "small group" of malcontents to stop intimidating those who want to return to work and denounced the strikes as intolerable. He said that military intervention was necessary to restore order at the Suralco bauxite plant. The plant's managers shut down smelting operations on Tuesday, according to the US Embassy. [redacted]

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The Embassy also reports that some workers returned to the plant yesterday without incident. At the Suriname Power Company, however, pamphlets were distributed containing political demands and threats of another strike by electrical workers. This caused the government to take over the company, and military units yesterday also occupied electrical stations in Paramaribo and at the bauxite plant. [redacted]

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Comment: Bouterse probably hopes his tough talk and show of force will be enough to induce strikers to return to their jobs. The majority of the strikers do not want to return to work, despite Bouterse's characterization of them as being swayed by a small group of instigators. Positive popular reaction toward the strikers—although not open—is likely to have encouraged the workers to hold out for their demands. [redacted]

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It will take Suralco at least a month to resume production at prestrike levels. This will deal a serious blow to the economy, which depends on the aluminum industry for 80 percent of its export earnings and more than 20 percent of government revenues. [redacted]

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NORTH KOREA-SOUTH KOREA-US: Proposal for Talks

North Korea's proposal for tripartite talks on Korea, although a dramatic shift in tactics, largely reiterates its longstanding policy aimed at achieving US troop withdrawals.

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P'yongyang yesterday formally proposed talks involving North Korea, the US, and "South Korean authorities." It wants to discuss a peace agreement with the US, the withdrawal of US forces from South Korea, a nonaggression pact between the North and South, and other matters desired by the US and South Korea. P'yongyang stated that, following the tripartite talks, the conditions would be created for a dialogue between the two Koreas on eventual reunification.

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Beijing has promptly endorsed the proposal, but Seoul has not. Although South Korea does not rule out multilateral talks, it continues to insist that it is first necessary to reduce tensions through direct North-South contacts. As an initial step, it demands an apology—either formally or informally—for the bombing attack in Rangoon, which killed many South Korean leaders.

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Comment: This is the first time North Korea has said it is willing to accept South Korea as an equal participant and an open agenda. A less detailed proposal for "unconditional talks" with the US was made through the Chinese in October and again in December.

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The timing—coinciding with Premier Zhao's visit to Washington—suggests that P'yongyang wants to ensure that its interests are considered in any Sino-US discussions of Korean issues. The initiative also is part of P'yongyang's attempt to limit the damage to its diplomatic position that has resulted from the bombing. The new proposal is an effort to portray the North as the "reasonable" party and to put the onus on the US and South Korea if talks fail to materialize.

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China's support for the North's proposal suggests Beijing would prefer to remain on the sideline for now. The Chinese probably also regard their endorsement as a relatively cost-free gesture of solidarity with P'yongyang.

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NICARAGUA: Response to Amnesty

Efforts by the Sandinistas to reduce international criticism by offering amnesties to Indians and insurgents are backfiring. [redacted]

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Misura Indian insurgents say Sandinista troops crossed the Honduran border last week in an effort to coerce recently arrived refugees to return to Nicaragua. When the attempt failed, the troops killed several Indians. [redacted]

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A proregime Nicaraguan religious group recently went to Costa Rica to persuade refugees there to return. The refugees responded by publicizing demands that the government first begin talks with the insurgents. [redacted]

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International refugee officials, meanwhile, have told the US Embassy in Managua that only a few dozen refugees in Costa Rica and Honduras have applied for amnesty. The Sandinistas have not claimed a specific total of returnees, but they say that some 300 insurgents in the northwest have accepted the amnesty. [redacted]

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[redacted] . Despite earlier promises, the Sandinistas have not yet allowed refugee officials to visit Nicaragua's Caribbean coast to verify that the Miskitos are free to leave. A UN representative has told the Embassy that he would not accept an invitation, fearing Sandinista manipulation of the visit.

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Comment: The difficulties with the amnesty will add to the public relations problems the Sandinistas experienced last month, when a Catholic bishop accompanied a group of Miskitos fleeing to Honduras. The Sandinistas probably are exaggerating insurgent defections, and they are likely to encounter increasing problems in accounting for the lack of response to their alleged generosity. [redacted]

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Nicaragua probably hopes that Honduras and the Misura will reject a repatriation agreement and that they will be blamed for the lack of response. The regime is likely to make additional efforts to involve international agencies, hoping they will give more credibility to the amnesty. [redacted]

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POLAND: Church-State Talks

The meeting on 5 January between Cardinal Glemp and Premier Jaruzelski suggests that the church-state dialogue is unlikely to resolve any outstanding issues soon.

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A senior official of the church told US Embassy officers on Tuesday that he is confident that the 11 Solidarity and Workers' Defense Committee leaders will not be tried, even though there has been no breakthrough in talks with the regime over their release. He believes that the regime wants to avoid the embarrassment of a public trial but that it is concerned the union leaders and their advisers may resume their political activities if they are released unconditionally.

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The official also said he accepts the government's assertion that it is holding only 45 convicted political prisoners. The regime also admits, however, that approximately 170 people are awaiting trial for alleged political crimes.

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In addition, the official stated that the government's relations with the Vatican are improving, but he advised that this does not necessarily mean full diplomatic ties would be established soon. He believes that, although negotiations over the church's plan to aid private agriculture are proceeding, the regime's insistence on maintaining some control over the funds would alienate Western contributors.

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Comment: The regime probably will not release the Solidarity and Committee leaders in the near term without some guarantee from the church that they will not resume political activity. The church, however, cannot give such a guarantee. The committee activists are Marxists who may not follow the advice of the church.

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GREECE: Possible Cabinet Changes

The recent resignation of Deputy Foreign Minister Varfis probably reflects broader strains within the government. [redacted]

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The US Embassy reports that Varfis's decision to step down has prompted renewed speculation about imminent changes in the Cabinet. [redacted] Prime Minister Papandreu wants to shift some key ministers and relinquish the Defense portfolio. He recently appointed Deputy Defense Minister Drossoyiannis as "alternate" Defense Minister. [redacted]

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Comment: Papandreu, in delegating some duties to Drossoyiannis, probably is trying to get more time to spend on the serious economic problems that appear to have eroded his government's popularity. The inflation rate is about 21 percent, unemployment stands at 8 percent, and the growing external debt is beginning to worry Greece's creditors. The recent passage of an expansionary budget and incomes policy will make these problems worse. [redacted]

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A reorganization of the Cabinet would underscore Papandreu's desire to strengthen the government's declining standing and might foreshadow an early national election. National Economy Minister Arsenis and several key Socialist leaders apparently believe little can be done soon to reverse economic trends. They have urged Papandreu to hold a parliamentary election in conjunction with elections for the European Parliament in June. [redacted]

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Changing some ministers also could offer Papandreu a way of curbing the infighting among them, a problem that has hampered the government's performance. Varfis, for example, probably believed that Arsenis's recent decision to demand a 10-month extension of EC restrictions on the export of selected trade items to Greece will harm Greek-EC relations. [redacted]

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HUNGARY-USSR: Placating Moscow

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diplomats have been told to curtail contacts with Westerners in order to allay suspicions among Budapest's allies that Hungary is leaning too far to the West.

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the Central Committee plenum last month took a hard line toward the US and advocated closer coordination with other Warsaw Pact members on policy toward the West. At party leader Kadar's direction, mass demonstrations protesting NATO's INF policy were held throughout the country in mid-December and the regime has increased its criticism of the West. Nonetheless, Hungarian officials continue to stress privately their desire for good relations with the US, and Kadar will host summit talks with British, Italian, and West German leaders in the next few months.

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Comment: The Hungarians will try to protect their ties with the West, but pressures for greater solidarity with their allies may make this increasingly difficult. They probably hope greater verbal support for the USSR on INF and other international issues will allow them to avoid more tangible measures.

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USSR-VIETNAM: Delivery of Naval Equipment

[redacted] the USSR has delivered two Petya-II-class frigates to Vietnam. Two others were delivered in 1978. The light frigates are about 80 meters long and carry two twin 76-mm guns, antisubmarine rockets, and torpedoes.

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Comment: The Petyas are the largest and most advanced vessels in the Vietnamese Navy. They are used for coastal patrols and are a primary defense against Chinese submarines. Since 1978, the USSR has helped Vietnam steadily improve its ASW capabilities. In addition to the four Petyas, the USSR has provided submarine chasers, ASW helicopters, and amphibious aircraft.

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YUGOSLAVIA: At Odds With the IMF

The US Embassy in Belgrade reports that negotiations between the IMF and Yugoslavia on a standby agreement for this year have little prospect for completion before the IMF team departs on Monday. The IMF's insistence that Belgrade raise interest rates substantially is the major obstacle. Several other points of contention also have to be resolved, including IMF demands that Belgrade lift the freeze on prices by March. A senior IMF official believes these problems will delay approval by his headquarters of a standby program until at least mid-March.

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Comment: A setback in reaching agreement with the IMF will delay refinancing agreements with bank and government creditors. Nonetheless, eventual agreement is likely because there probably is some room for flexibility on both sides on interest rates and because the IMF appears willing to compromise in some areas. At the same time, some hardliners in the government insist that Belgrade has to be prepared to do without IMF cooperation in case the negotiations fail.

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SENEGAL: Impending Purge of Ruling Party

[redacted] President Diouf is planning to purge powerful officials from the ruling party this month. The US Embassy reports that the pro-Western leader believes senior party officials are undercutting his authority, paralyzing the government, and working against economic reform efforts. [redacted]

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Comment: Diouf probably has the power to remove corrupt party officials and would receive public support for such a step. Students, labor, and Muslim leaders are becoming more dissatisfied about the country's economic decline, however, and Diouf increasingly will be blamed for the effects of austerity measures he imposed in August. Moreover, separatist unrest broke out again last month in the isolated Casamance Region. Senegal's military has remained aloof from politics, but divisive political wrangling in the face of economic hardship is likely to provoke grumbling in the officer corps and perhaps lead to coup plotting. [redacted]

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BELIZE: Cabinet Shakeup

Prime Minister Price has made changes in the cabinet following his party's recent defeat in municipal elections, hoping to halt the increasing factional divisions. A government announcement states that the leader of the party's right wing—who was blamed for the electricity blackouts that caused the election loss—has been transferred from Energy to a less important ministry. The leftist Minister of State has had Home and Foreign Affairs added to his portfolio. Price has not yet replaced his Deputy Prime Minister, who retired—reportedly for health reasons. [redacted]

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Comment: Price's reallocation of cabinet posts favors the leftists. It will not fundamentally alter the balance of power favoring the conservatives, however, unless Price takes the unlikely step of naming a leftist as his deputy. The moves probably are a warning to both party factions, particularly the rightists, to stop their public bickering before the campaign for national elections gets under way this year. The conservatives may initially protest the changes, but this is unlikely to do serious damage to party unity. [redacted]

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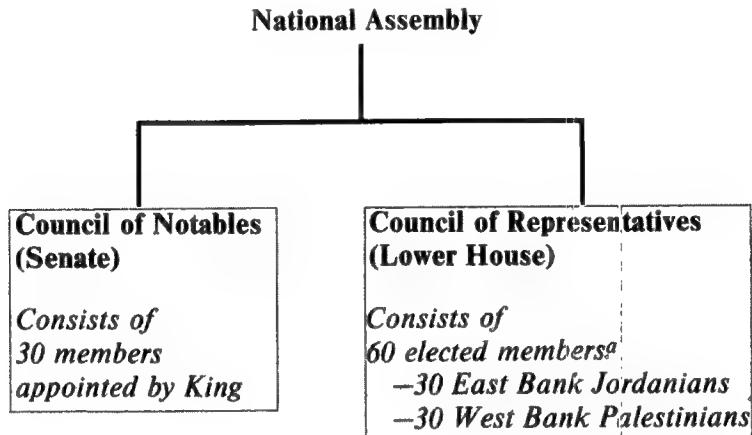
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Structure of Jordan's Parliament



^aOnly 46 members of the last elected parliament (1967) are still alive—22 East Bank Jordanians and 24 West Bank Palestinians; but only 14 members of the latter still reside on the West Bank.

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Special Analysis

JORDAN: Hussein and the Palestinian Issue

King Hussein's decision to reconvene parliament last Monday after a 10-year hiatus lays the groundwork for closer relations with West Bank Palestinians. The move may be designed to test whether or not West Bankers, the PLO, and moderate Arab states will support the King if he chooses to reassert Jordan's claim to represent the Palestinians. Hussein apparently hopes that expanded political ties between the two banks will improve his stature as an alternative spokesman for the Palestinian people.

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Hussein is likely to view his success in drawing all of the old West Bank members of parliament to the opening session in Amman as an encouraging sign of West Bank independence, particularly at a time when PLO chief Arafat's own consultations in Tunis are still going on. West Bankers, however, probably are more concerned with protecting their interests in council discussions on such matters as financial support to the municipalities than they are in asserting their independence from moderate PLO leadership.

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Israel's willingness to permit West Bankers to travel to Amman suggests that Tel Aviv wants to encourage Hussein's efforts to gain West Bank support for possible negotiations without PLO approval. The Israelis probably want to send a positive signal to Hussein before his meeting with Arafat, in hopes that the King will proceed independently if he fails to reach an accommodation with Arafat.

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An easing of restrictions by the Israelis on West Bankers could influence Hussein to move toward negotiations. Before doing so, however, he would make sure of moderate Arab backing and West Bank support.

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Hussein will watch regional reaction to parliament's revival in order to determine the limits within which he can deal with the Palestinian issue. Both the Syrians and radical Palestinian groups have been predictably negative, accusing the King of trying to usurp the PLO's legitimate role.

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Arab moderates have been extremely reticent. Their silence casts doubt on press reports that Hussein previously had coordinated his plans with them.

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The King did not receive moderate Arab backing last spring for his declaration that Jordan would no longer be bound by the Rabat decision if the PLO came under Syria's subjugation. As long as Arafat's position is uncertain, the moderate states probably will hesitate to support Hussein—at least openly. [redacted]

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Domestic Implications

Hussein has presented his recall of parliament largely as a domestic issue in order to reduce to a minimum an unfavorable Arab reaction to the move. Many Jordanians have come to resent their exclusion from political life, and they have pushed for a greater role in decisionmaking. [redacted]

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Political parties have been banned in Jordan since 1957. The lower house of parliament is the only body composed of elected representatives. It was dissolved in 1974, soon after the Arab Summit in Rabat named the PLO the sole legitimate representative of the Palestinians. [redacted]

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In 1978 a National Consultative Council, a quasi-legislative body of appointed officials, was established. It has proved an ineffective substitute. [redacted]

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The return of parliament has raised the issue of national elections. One of the first items on the agenda was the passage of a constitutional amendment to allow for elections only on the East Bank. [redacted]

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The current requirement for simultaneous elections cannot be met because of the Israeli occupation. Instead, West Bank representatives are to be appointed. [redacted]

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For security reasons, the government may hesitate to hold elections on the East Bank. If they are held, demographic changes over the last 17 years will require extensive reapportionment of seats. [redacted]

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The recall of parliament and the possibility of national elections gave Hussein the opportunity to remove Prime Minister Badran without appearing to bow to domestic pressure. Badran had been in office almost continuously since 1976 and was extremely unpopular, particularly with the key Bedouin and Palestinian communities. The new Prime Minister, however, is widely regarded as unsympathetic to Palestinian interests. [redacted]

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Outlook

Hussein is unlikely to challenge PLO legitimacy in the near term by undertaking a unilateral peace initiative. Arafat's extrication from Tripoli as a weakened but still popular leader of the Palestinian refugee population compels the King to try to work out an accommodation with the PLO. [redacted]

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If Hussein fails, he would still need to gather explicit West Bank and moderate Arab support before he would even consider such a move. In addition, he would want assurances from the US and signs of Israeli flexibility before accepting the risks of acting without the PLO. Recent terrorist attacks on Jordanians by Syrian-supported radical Palestinian groups also will tend to make him proceed cautiously. [redacted]

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Special Analysis**MALAYSIA: Prime Minister Under Pressure**

Prime Minister Mahathir, who arrives in Washington next week, is in his most vulnerable political position since he took office in 1981. His abrasive style of leadership, a confrontation with the King, and economic problems have stimulated opposition in his party and might reduce his willingness to compromise on economic issues with the US. To strengthen his standing, he will seek increased US private investment in Malaysia and adjustments in US economic policies.

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Mahathir's rapid rise in the political hierarchy, combined with an aggressive personality and a tendency to promote younger party members to important positions, have earned him enemies within his party, the United Malays National Organization. His major political opponent, Minister of Finance Razaleigh, has made common cause with the party's conservative wing, which dislikes Mahathir's abrupt style and his refusal to seek the traditional Malay consensus before introducing important issues.

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Although Mahathir's campaign to reduce the King's constitutional powers was ended by a compromise last month, it has intensified conservative opposition to the Prime Minister. As a result of the dispute, the US Embassy reports that Mahathir is widely viewed as insensitive to the political and cultural role of the hereditary royalty.

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Public support for Mahathir also is being reduced by economic problems. Drastic cuts in economic development expenditures resulting from attempts to shrink the large budget deficit threaten the implementation of the New Economic Policy. The policy was created to reduce foreign and ethnic Chinese control of the economy in favor of ethnic Malays.

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In addition, Mahathir has to contend with a major banking scandal involving Bank Bumiputra, the financial arm of the New Economic Policy. Early last year it was disclosed that the bank's wholly owned subsidiary in Hong Kong had made large, unsecured loans to three property speculators in the colony. Much of the money—estimated at more than \$700 million—has been lost as a result of the collapse of the property market in Hong Kong.

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Moreover, the trial of a property developer in Hong Kong this year may produce revelations that will implicate officials at the highest levels of government. The officials include cabinet members close to Mahathir. [redacted]

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Economic Shopping List

Mahathir will try to use his visit to the US—as well as stops in Canada, Switzerland, and France—to strengthen domestic support for his policies and to seek the resources needed to carry out the New Economic Policy. In his meetings with US businessmen, Mahathir will stress investment prospects in Malaysia and explain that his “look East” policy—which patterns the country’s economic development along Japanese and Korean models—does not mean that the country will abandon its ties to the West. [redacted]

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In Washington, Mahathir almost certainly will focus on bilateral economic issues. As the world’s largest producer of rubber and tin, Malaysia seeks US support for UN-backed commodity agreements designed to stabilize commodity prices. [redacted]

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Mahathir also wants an increase in the US import quota for Malaysian textiles. The textile agreement with the US will be renegotiated later this year. [redacted]

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The major irritant in bilateral issues—GSA sales of tin from the strategic stockpile—was reduced with the signing of the US-ASEAN memorandum last fall. Mahathir, however, is likely to continue his push for commodity producer cartels. [redacted]

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Mahathir views himself as an economic spokesman for developing countries. He has accused the West, particularly the US, of maintaining an international economic system that discriminates against developing countries by keeping the prices of commodities low and the prices of imported manufactured goods high. As a result, he is likely to push for a modification of US economic policies, which he believes are keeping interest rates high worldwide and threatening the global economic recovery. [redacted]

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Foreign Policy and Defense

Mahathir’s discussions of other issues will be more amicable. Kuala Lumpur has been moving closer to the US position on many East-West issues because it believes the USSR is posing a greater threat to Southeast Asia. [redacted]

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Mahathir appreciates US support of ASEAN's efforts to resolve the Kampuchea conflict. According to the Embassy, he will seek Washington's views on the future of Sino-US relations. [redacted]

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Malaysia also is increasing its defense cooperation with the US. Combined military exercises began in 1982, and last year 13 exercises were held. [redacted]

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In addition, Malaysia looks increasingly to the US for the training of military personnel. The Embassy expects Kuala Lumpur to agree to granting US P-3 surveillance planes expanded access to Butterworth Air Force Base. [redacted]

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Mahathir's Political Prospects

Any further loss of public support will encourage Mahathir's opponents in UMNO to challenge him at the party assembly in May. Razaleigh and the old guard are likely at least to try to dislodge Musa Hitam—Mahathir's close ally and probable successor—from his position as deputy leader of UMNO. [redacted]

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Barring damaging revelations tying Mahathir to the banking scandal, the Prime Minister should be able to retain political control. He is likely to be forced to give way to the opposition in some areas, however, by placing more of the conservative party officials in government and party positions. To renew his Malay credentials, he also may push for greater Islamicization of Malaysian society. [redacted]

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In addition, Mahathir may adopt a tougher nationalist position on international economic issues. For example, he might advocate a new international financial order favorable to Third World countries. [redacted]

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